

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 ISO-00 H-03 L-03 INT-08 GSA-02 TRSE-00

COME-00 OMB-01 AID-20 CIAE-00 FRB-02 INR-10 NSAE-00

RSC-01 XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01

NSC-10 SS-20 STR-08 CEA-02 /149 R

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R 081502Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO

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E.O 11652: N/A

TAGS: EMIN, ETRD

SUBJECT: COPPER - CONSULTATIONS ON STOCKPILE DISPOSALS

1. IN DEC. CONGRESS PASSED LEGISLATION AUTHORIZING DISPOSAL OF COPPER FROM THE STRATEGIC STOCKPILE. ON JAN 4, AT DEPT'S INVITATION, MANUEL CARDENAS OF CHILEAN EMBASSY MET WITH DEPOFF WHO OUTLINED PROPOSALS BY THE GENERAL SERVICES ADMINISTRATION TO TRANSFER PART OF COPPER INVENTORY TO US MINT AND SELL REMAINDER BY COMPETITIVE BIDS. CHILEAN REP PROMISED REPORT GOC'S REA*TION TO PROPOSAL ASAP.

2. ?GSA PROP SES TO DISPOSE OF 251,600 SHORT TONS OF COPPER NOW AVAILABLE FOR DISPOSAL BY TRANSFERRING 80,000 TO 85,000 ST TO US MINT FOR COINAGE PURPOSES. REMAINDER (166,600 OR 171,600 ST) WOULD BE SOLD BY COMPETITIVE BID OVER PERIOD OF SEVERAL MONTHS.

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3. DEPOFF PROVIDED BACKGROUND TO COPPER DISPOSAL LEGISLATION AND EXPLAINED PRESSURE FOR AUTORIZATION CAUSED BY CURRENT WORLD-WIDE SHORTAGE OF SUPPLY. ACCORDING TO TESTIMONY BEFORE HOUSE SUB-COMMITTEE ON DISPOSALS, US INDEPENDENT COPPER CONSUMERS THREATENED BY SUPPLY SHORTAGE WERE IN DANGER OF SHUTTING DOWN PLANT FACILITIES.

4. CHILEAN REP WAS CONCERNED ABOUT WHAT HE CONSIDERED VAGUENESS OF GSA PROPOSAL; E.G., NO FIXED AMOUNT PER MONTH OR PER QUARTER. HE ALSO MENTIONED NEED OF HIS GOVT TO KNOW EXACT "TIMING" OF GSA SALES.

5. DEPOFF EXPLAINED THAT GSA NEEDED FLEXIBILITY IN SELLING RELATING SMALL AMOUNT OF COPPER ON OPEN MARKET WITH EXTREMELY HIGH PRICES CURRENTLY PREVALENT AND SHORT-AGE OF SUPPLIES, NOW WAS OPPORTUNE TIME FOR GSA TO DISPOSE OF COPPER AS EXPEDITIOUSLY AS POSSIBLE WITHOUT DISRUPTING MARKET. DEPOFF ALSO POINTED OUT MARKET HAS ALREADY DISCOUNTED GSA SALES WITH LME PRICES CONTINUING TO RISE SINCE CONGRESS PASSED AUTHORIZING LEGISLATION. (LME SETTLEMENT PRICE ON JANUARY 4 WAS 915 PER TON).

6. CHILEAN REP REITERATED HIS CONCERN THAT ALTHOUGH CURRENT PRICES "UNREALISTIC" HIS GOVT. ANXIOUS ABOUT POSSIBLE SUDDEN PRICE FALL DUE GSA SALES, AND HE ASKED THAT DISPOSAL PROGRAM BE EXPLICIT IN EXACT AMOUNT SOLD EACH PERIOD PROGRAM IN EXISTENCE.

7. DEPOFF ASSURED CHILEAN REP THAT GSA WOULD SELL COPPER IN MANNER SO AS TO MINIMIZE DISRUPTION OF MARKET. KISSINGER

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